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FISCAL IMPACT STATEMENT

LS 7188 **NOTE PREPARED:** Jan 1, 2009
BILL NUMBER: HB 1349 **BILL AMENDED:**

SUBJECT: Renewable Energy Development.

FIRST AUTHOR: Rep. Dvorak **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: This bill requires an electricity supplier to supply a certain percentage of its total electricity supply from renewable energy resources. It establishes the Renewable Energy Resources Fund (RERF) to receive penalties paid by electricity suppliers that fail to supply electricity from renewable energy resources. It also appropriates money in the fund.

This bill requires the Indiana Utility Regulatory Commission (IURC) to adopt emergency rules amending the IURC's net metering and interconnection rules for electric utilities to: (1) make net metering available to specified customer classes; (2) allow a generating facility with a nameplate capacity of five megawatts or less to interconnect to the distribution facility of an electric utility; and (3) allow a net metering customer to interconnect a generating facility that makes use of specified technologies. It voids existing rules to the extent they do not comply with the requirements for the amended rules. It also requires the IURC to report to the Regulatory Flexibility Committee on the IURC's progress in adopting the amended rules.

Effective Date: Upon passage.

Explanation of State Expenditures: *IURC:* This bill will increase the administrative expenditures of the IURC. The amount of the increase is indeterminable and will ultimately depend on administrative decisions made by the IURC in implementing the renewable energy resource requirements in this bill. There could also be an increase in IURC expenditures to the extent that the IURC conducts public hearings required for making a determination that an event beyond the reasonable control of an electricity supplier prevented that supplier from fulfilling the supplier's renewable energy resource requirements.

The bill also requires the IURC to adopt rules on net metering and interconnection of electric utilities and report to the Regulatory Flexibility Committee on its progress in adopting the rules. It is estimated that the

IURC will be able to implement these provisions with its existing level of resources.

Indiana Economic Development Corporation (IEDC): The bill provides that the IEDC must administer the Renewable Energy Resources Fund (established in this bill). The increase in expenditures to the IEDC from this provision may be totally offset by the required reimbursement from the RERF. The bill provides that the cost of administering the fund may not exceed 10% of the balance in the fund.

State and Local Government Utility Expenditures: The bill includes state and local governments in the class of electricity consumers which must be offered net metering services. Under current IURC rules (170 IAC 4-4.2) investor-owned electric utilities (IOEU) must offer net metering to residential customers and K-12 schools that install a net metering facility. Currently, IOEUs may, but are not required, to offer net metering to state and local governments. The bill would require all electric utilities to offer net metering to state and local governments, as well as other customer classes as listed in the bill.

To the extent that any governmental entity chooses to utilize net metering, there could be an impact on that entity's electric utility expenditures. The impact will ultimately depend on the amount of revenue the state or local agency can generate through the sale of renewable energy back to an electric utility. Due to provisions allowing for cost recovery, utility rates may increase. If the governmental entity currently uses the renewable energy to supplement electricity use, the overall impact will be determined by the difference between the value of the current use of that energy versus the price the energy may be sold back to the electric utility.

Explanation of State Revenues: *RERF:* The bill requires electricity suppliers that do not meet the renewable energy resource requirements in the bill to pay a penalty equal to the number of megawatt hours of renewable energy that the electricity supplier was required but failed to supply multiplied by $50. The penalties are required to be deposited in the RERF. The amount of penalties that may be collected is indeterminable. The amount of the penalty collections will depend on the number of electricity suppliers: (1) that fail to meet the bill's requirements; and (2) that were prevented from meeting these requirements due to events out of the control of the supplier. If the electricity supplier failed due to events out of the supplier's control, the IURC may reduce the electricity supplier's renewable energy obligations.

The bill defines electricity supplier as a public utility that furnishes retail electric service to the public, not including rural electric membership cooperatives (REMCs) or municipally owned utilities.

Utility Rates: To the extent that utility rates are affected by the renewable energy resource requirements in this bill, there will be an impact on Sales Tax, Utility Receipts Tax (URT), and Utility Services Use Tax (USUT) collections. It is estimated that utility rates will increase under the bill due to the provision requiring the IURC to allow an electricity supplier to recover reasonable and necessary costs incurred in: (1) constructing, operating, or maintaining facilities to comply with this chapter; or (2) generating electricity from, or purchasing electricity generated from, a renewable energy resource; by a periodic rate adjustment mechanism. The amount of any increase in rates will ultimately be determined by the costs incurred by suppliers in complying with the renewable energy resource requirements in this bill.

Background Information- As stated by the U.S. Department of Energy, "net metering allows consumers to offset the cost of electricity they buy from a utility by selling renewable electric power generated at their homes or businesses back to the utility. In essence, a customer's electric meter can run both forward and backward in the same metering period, and the customer is charged only for the net amount of power used."

The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund. Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.67%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IURC; IEDC; All.

Local Agencies Affected: All.

Information Sources: United States Department of Energy website;
http://www.eere.energy.gov/states/alternatives/net_metering.cfm

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